

<b>DEPARTMENTAL REGULATION</b>		Number: 2230-001
SUBJECT: : Improvement of Management Controls Over Unliquidated Obligations	DATE: January 23, 1984	
	OPI: Office of Finance and Management	

1 PURPOSE

This regulation provides policy and procedural requirements for improving agency reviews and management controls over unliquidated obligations.

2 POLICY

Office of Management and Budget (OMB) instructions for the preparation and submission of budget estimates require agencies to review unliquidated obligations and to deobligate those not likely to require payment. (Section 21.1 (c), OMB Circular A-11)

Unliquidated obligations are amounts obligated for orders of goods and services which have not been received and for which payment has not yet occurred.

It is the policy of USDA to reduce unliquidated obligation balances in agency accounting records. USDA agencies and staff offices must thoroughly review their unliquidated obligations, eliminate unnecessary unliquidated obligations, and continuously monitor the viability of unliquidated obligation balances.

The reduction of these unliquidated obligations should improve budget planning, preparation, and execution; and improve the Treasury Department's ability to forecast outlay and borrowing needs.

3 RELATED REFERENCES

- a 31 U.S.C. 1108 (Budget and Accounting Act of 1921, as amended)
- b 31 U.S.C. 1341 (Congressional Budget and Impoundment Control Act of 1974)
- c 31 U.S.C. 1501 (section 1311 of the Supplemental Appropriations Act of 1955)
- d Survey Report on Unliquidated Obligations for Construction-Related Projects/Activities, prepared by the President's Council on Integrity and Efficiency, 1981

- e OMB Circular A-11, Preparation and Submission of Budget Estimates
- f OMB Circular A-34, Instructions on Budget Execution
- g OMB Circular A-112, Monitoring Federal Outlays
- h The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 7--Fiscal Procedures
- i I Treasury Financial Manual (formerly Treasury Fiscal Requirements Manual)  
2-4400

#### 4 REVIEW OF UNLIQUIDATED OBLIGATIONS

a Identification of Inactive Projects. During normal year-end closing activities, agencies and staff offices will identify projects and activities with no physical or fiscal activity for at least 12 months. If the nature of a program makes the 12-month criterion unrealistic, another standard may be used if the Office of Finance and Management (OFM) concurs.

Unliquidated obligations relating to inactive projects should be stratified by dollar amounts:

less than \$ 250,000

\$250,000 - \$ 499,999

\$500,000 - \$ 999,999

\$1,000,000 - \$9,999,999

\$10,000,000 or more

The number of projects and the amounts of unliquidated obligations for each stratification range should be entered on Form AD-1000. A dollar cutoff level should be set to assure that a majority of the unliquidated obligations are reviewed.

b Project Review. Each project or activity that equals or exceeds the cutoff level will be reviewed by agency program officials who are not responsible for project performance or verification.

(1) The following factors should be considered for each project or activity:

- (a) the period of fund availability
- (b) the timeliness of project start-up after obligation

- (c) the completeness and accuracy of information provided to USDA by grant or loan recipients
- (d) whether funds have been expended consistent with the extent of project completion
- (e) whether remaining funds are sufficient to complete the project in accordance with initial specifications
- (f) justifications for amendments to project funding
- (g) supplemental loans, grants, etc.
- (h) reasons for lack of activity, such as litigation or delay in obtaining final project audits
- (i) any provisions of the agreement or contract that may permit or prohibit deobligation or reprogramming

(2) The review should identify:

- (a) projects that do not have a legal basis, or are not properly authorized and supported by appropriate documentation
- (b) projects which have been completed and have not been closed out
- (c) projects under which no future expenditures are expected

c Application of Review Results. Based on the review, agencies and staff offices will decide which project and activities should be closed out and deobligated, or reprogrammed. The reasons for any exceptions must be fully documented.

d Retention of Records. All documentation and working papers generated by the review will be retained by agencies and staff offices with their records relating to certification under 31 U.S.C. 1501 (formerly section 1311 of the Supplemental Appropriations Act of 1955).

## 5 DEOBLIGATION OF INACTIVE PROJECTS AND ACTIVITIES

a Initial Action. Agencies and staff offices will promptly terminate or close out projects or activities identified by the review for deobligation, and deobligate any related funds.

b Continuing Review. Agencies and staff offices will establish procedures and issue instructions for ongoing assessment and review of unliquidated obligations, for paying promptly when work is completed, and for deobligating funds when warranted.

c Management Accountability. Agencies and staff offices will revise goals and standards for measuring the performance of employees to include improving management controls managers and over unliquidated obligations.

## 6 REPORTS

Agencies and staff offices will submit the following reports to OFM no later than November 30 each year:

a Stratification of Inactive Projects and Unliquidated Obligation Amounts, Form AD-1000

b Status of Unliquidated Obligations, Form AD-1001

(1) The information reported should be based on conditions existing on the cutoff date.

(2) In the Project Identification column, each project should be identified by contract number, project name, or another unique identifier.

(3) In the Amount of Original Obligation Plus Amendments column, show the net amount obligated on the project (the original obligation plus or minus any changes due to amendments as of the cutoff date).

(4) In the Recommendations and Other Comments column, list subsequent events and activities such as payments and cancellations. This column should also contain recommendations for cancellation or reprogramming, or any justification for continuing to carry the obligation. Also include any comments related to the factors considered in reviewing inactive projects and activities (see section 4 b (1))

c Summary of Results of Unliquidated Obligations Review, Form AD-1002

## 7 REVIEW AND MONITORING

The Office of Finance and Management will review agency and staff office reports on unliquidated obligations, periodically perform assessments of each agency's management of unliquidated obligations, and recommend actions to improve the management of unliquidated obligations.

8 INQUIRIES

Inquiries should be directed to the Office of Finance and Management, Financial Management Division, 382-1200.

Please see hard copy or contact OIRM, IMD on 202-447-8799 for the paper copy of the following image(s):

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